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SUBJECT: SPEAKER PELOSI'S MAY 27 MEETING WITH NPC CHAIRMAN
WU BANGGUO

REF: A. BEIJING 1431

[1](#)B. BEIJING 1428

Classified By: Charge d'Affaires, a.i., Dan Piccuta. Reasons 1.4 (B/D)

Summary

[1](#)1. (C) In a wide-ranging discussion with CODEL Pelosi on May 27, National People's Congress (NPC) Chairman Wu Bangguo applauded the state of bilateral relations, encouraged greater exchanges between the Congress and the NPC, urged greater U.S.-China collaboration on energy and climate change and joint efforts to make the upcoming Copenhagen meeting a success, and outlined China's strategies to cope with the Global Financial Crisis. Speaker Pelosi applauded China's efforts and expressed hope for closer cooperation on climate change and progress in relations between the Congress and NPC. She urged China to become more transparent and to rely on the rule of law and environmental justice in its climate change efforts. The Speaker also emphasized that there was Presidential and Congressional interest in Human Rights "on both sides of the aisle." Wu also said China had sent a "strong message" to the DPRK but urged patience and joint efforts to prevent the situation in North Korea from "spinning out of control." End Summary.

Boost to Bilateral Relations

[1](#)2. (SBU) Wu opened with a very upbeat assessment of U.S.-China relations and Speaker Pelosi's visit, noting the great success over the past 30 years in jointly addressing global challenges and calling the relationship "one of the most important and vibrant in the world." He said that the Speaker's visit would not only boost bilateral ties, but would facilitate a deepening of relations between the Congress and the NPC. Wu also applauded the "smooth handover" of China policy to a new U.S. administration, including the "successful" meeting between President Obama and President Hu Jintao at the G-20 Summit in London. The two countries are "off to a good start," he said, but must continue to accommodate each other's core interests. The most important and sensitive issue in the relationship from China's perspective is the Taiwan issue. Despite important differences in perspective, Wu said, common interests still far outweigh these differences and the two sides should put them aside and focus on common ground. The NPC would work

with the House of Representatives to implement bilateral agreements and facilitate cooperation.

¶3. (SBU) The Speaker thanked Wu for China's hospitality and uncommonly strong support for her visit, including the "unsurpassed" access to top leaders, and for the information and intellectual resources provided. She expressed regret that Wu had been unable to visit the United States as planned and invited him to come at an appropriate time.

Strengthening Congress and NPC Exchanges

¶4. (SBU) Wu accepted the Speaker's invitation to visit the United States, saying this would be the first visit by the NPC Chairman in 20 years and that the solid basis of bilateral relations provides a strong foundation for closer cooperation between the Congress and the NPC. He noted that the United States currently ranked number one in the volume of the NPC's inter-parliamentary exchanges and said Congressional interest in strengthening ties is growing. Wu stressed the need to maintain the momentum in expanding the volume and range of exchanges, to consolidate and improve the "exchange mechanism," and to step up exchanges between specialized committees in both legislatures.

¶5. (SBU) Addressing the issue of exchange mechanisms, Wu urged making exchanges more regular and creating an effective channel for communication. He said that NPC Foreign Affairs director and former Ambassador to the United States, Li Zhaoxing, would head up this effort on the Chinese side and

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that a Chinese delegation has already accepted a Congressional invitation for a visit in June. He said China will join the United States in improving the mechanism, which will broaden participation and enrich the substance and improve the format of exchanges. With respect to stepping up exchanges between specialized committees, he said stronger ties between committees and their staffs will lead to pragmatic cooperation. China was especially interested in committees that deal with environmental protection, education, science, culture, health, and finance, he said. The two legislative bodies should keep in touch on international issues and share experiences on legislation.

¶6. (SBU) Responding to Wu's proposals on strengthening the inter-parliamentary relationship, the Speaker agreed there had been an uptic in Congressional interest in China, especially on stronger Congress-NPC interaction, and that specialized Congressional committees also had great interest in China.

Collaboration on Climate Change and Energy

¶7. (SBU) Wu said he wished to address the Speaker's major concerns on climate change and energy, especially her desire for greater cooperation and for interaction with Chinese specialists during the visit. He said China was serious about climate change, that it is a global problem, and that China accepts its new international obligation. Moreover, cooperation with the United States is essential in order to tackle it and China wants Copenhagen to be a success. At the same time, he said, China must continue its economic development and believes that differentiating responsibilities among countries is the key to success. The developed countries are mostly responsible for the increase in greenhouse gas emissions and should provide more technological and financial support to developing countries.

¶8. (SBU) Wu proceeded to outline in great detail, China's current efforts to develop new and more efficient energy sources, stating that climate change plans are already in place, including in the 11th Five Year Plan, with specific targets. He said China had set a number of targets which

will be pursued "through the market economy" and whose implementation progress the NPC was obligated to report to Premier Wen annually. Wen himself was in charge of the Small Leading Group responsible for tracking these efforts and the National Development and Reform Commission was the organization taking the lead. These efforts included significant annual increases in wind and solar power generating capacity, household biogas use, construction of new power generators, and large energy savings through increased use of ethanol and hybrid engines in a variety of vehicles. He said that by 2020, China would be using third generation U.S. power-generating technology. In many industrial and commercial applications, Wu claimed, the level of China's technology approached that of the United States and South Korea at half the cost. He also mentioned advances in clean coal technology -- which already included strong cooperation with the United States -- and energy-saving building architecture.

¶9. (SBU) All of these statistics, he said, showed that China was serious about climate change and was meeting its own needs. China wants cooperation with the United States in all these areas and such cooperation, he stressed, had become an important new element in the bilateral relationship. There was a need for greater cooperation on both policy and legislation. Wu specifically mentioned joint projects in energy- saving building construction and science and technology research.

¶10. (SBU) Responding to Wu's remarks on climate change, the Speaker noted that there was no disagreement on the need for differentiation between developed and developing countries but said the form that differentiation should take is an issue. "We need to move forward," she emphasized. She agreed on the need to share technology and resources with developing countries, including on climate change, but said the form this sharing would take also remains an issue. She

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also applauded Wu's "holistic" approach to development, stating that energy policy affects everyone and that this is what the United States means by "environmental justice." She said that transparency, rule of law, and accountable government were essential in all efforts to improve air and water quality and apply environmental principles. "We all need to step up to this responsibility," she said, and "answer to the people." The Speaker welcomed Wu's proposal for joint ecological demonstration projects and S & T projects.

Global Financial Crisis

¶11. (SBU) Wu couched his comments on climate change within a broader discussion of China's economic development strategies and the Global Financial Crisis (GFC) to illustrate the need for new energy and other green technologies. He noted the GFC "has yet to bottom out" and that the challenge facing the international community is to followup on the agreements of London G-20 Summit. Wu said the GFC revealed the "inequities" in the global financial system and the major tasks were to halt the downturn and facilitate recovery, reject protectionism, promote greater consultation, and give developing countries a greater voice. Wu stated that U.S.-China cooperation at the Summit, including the meeting between Presidents Obama and Hu, was an essential element in the Summit's success.

¶12. (SBU) Wu reiterated China's line that a major objective of the stimulus package was to lessen dependence on exports and boost domestic demand as drivers of economic development. He claimed that despite the sharp drop in GDP growth early this year, the economy has since begun to rebound and the leadership was confident of reaching its eight percent growth target for the year. He also claimed that the banking system was healthy (no problems with capital, liquidity, and

non-performing loans) and could support recovery.

¶13. (SBU) He asserted that China's continued rapid industrialization and urbanization had created a "huge demand" for investment and further development. He said that China continued to readjust its industrial structure, focusing on ten major industries, making the expansion of inter-city rapid rail a priority. Finally, he asserted that China was in the midst of the "greatest urbanization in world history" with an annual rural-to-urban redistribution of ten million people per year. This, he said, offered great opportunities for investment and for spurring domestic consumption. Summarizing his lengthy presentation, Wu said China was attempting to focus on the immediate difficulties while at the same time continuing to plan for long term sustainable development. Energy, he emphasized, was a major component of this planning and was a promising area of U.S.-China cooperation, especially given U.S. S & T advances and given that a low carbon economy was a priority for both countries. Wu said he had underscored "these new high lights" in the bilateral relationship that he thought would be of interest to the Speaker.

CODEL Response

¶14. (SBU) The Speaker thanked Wu for his "dazzling" presentation and assured him that "an informed U.S. audience" understood his points. She explained the U.S. stimulus package, noting that its "core value" was a commitment to disciplined implementation. She said the Congress would like to work with the NPC on ideas to improve the global financial system, soliciting, in particular, Chinese views on whether the post-WWII development banks were still an appropriate means to tackle global development issues. This would be an excellent subject for a joint effort, she said. The Speaker invited members of her CODEL to Congressmen Markey, Sensenbrenner, Blumenauer, and Inslee to comment from their respective perspectives on Chairman Wu's comprehensive overview.

¶15. (SBU) Congressman Markey discussed recent U.S. landmark legislation setting targets for reducing green house gas

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emissions, including the "historic" climate change and energy bill that he co-sponsored that passed last week. He said the legislation, along with commitments made by President Obama, constituted a "signal to the world" that there would be a "radical change" in the way the United States relates to energy and climate change. He said the goal of these moves was to participate in the Copenhagen conference "with the United States as the leader not as a laggard." The Congressman challenged China to surpass the United States by adopting standards and measurements appropriate for China, and to "stretch" its thinking and capable workforce, to reach measureable, reliable, transparent, emissions policies.

¶16. (SBU) Congressman Sensenbrenner stressed the need for IPR enforcement to provide incentives for technological innovation, noting that China had adequate IPR legislation but needs better enforcement. He agreed on the need for differentiation, but said this must be mandatory and verifiable, and hoped China would give this serious consideration.

¶17. (SBU) Congressman Blumenauer urged China to carefully consider how its urbanization would be carried out, with a view to finding new patterns of development, land-use, transportation, water and energy conservation, sustainable agricultural practices, and strategic application of technology. He said that the United States and China can work together in search of less expensive, more effective, patterns of urbanization with less adverse environmental impact.

18. (SBU) Congressman Inslee urged China to realize it would be "playing in a different league" when it goes to Copenhagen. While it should be differentiated from the United States, whose pollution rate is six times that of China, China should no longer be in the same category as Uganda or Kenya. The United States and China should jointly explore what this difference should be in order to determine where China fits in the proper balance. However, China should make a specific commitment on emissions targets. Such a commitment will make it much easier for the United States to help.

IPR Enforcement Issue: China Gets It

119. (SBU) In responses to Congressman Sensenbrenner's praise for China's IPR laws and but request for better implementation from the Chinese side, Wu asserted that China was taking strong measures to implement its laws, and said that as an engineer by training, he personally understood the importance of IPR. He said that a country with no innovative capacity has no future and IPR provided an important incentive for innovation.

Mindful of Human Rights

120. (SBU) The Speaker told Wu that there was both Presidential and Congressional interest in Human Rights "on both sides if the aisle" and called on Congressmen Sensenbrenner to confirm this bipartisan support. The Congressman stated that there was "no difference" between Republicans and Democrats on this issue. Wu did not respond.

Strong Message to North Korea

121. (C) Speaker Pelosi stressed the need to work together to craft a strong United Nations statement on North Korea's nuclear weapons test and, noting China's "wisdom and experience" in dealing with the North, and said China's leadership was the key to bringing North Korea back to the Six-Party Talks. She stressed that Japan, South Korea, Iran, and other states that may entertain ambitions to develop nuclear weapons are "looking on" and it is in the interest of both the United States and China to demonstrate resolve on the issue. She said the key question was how the North would use its nuclear material and whether it would engage in dangerous proliferation.

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122. (C) Wu responded in some detail, stating that China had made "serious representations" to North Korea "in both Pyongyang and Beijing" and reiterating the points in China's Foreign Ministry Statement issued soon after the test -- namely that China "strongly opposes" the test, calls on the North to stop actions that will make the situation worse, and supports a denuclearized Korean peninsula and a peaceful and stable East Asia. Noting that Codel had previously heard from President Hu and Premier Wen on the North Korea issue, Wu stated that China's position was "consistent." Wu said the situation was complex and twice emphasized the need to "keep the situation from getting out of control" through close cooperation between the two sides' foreign ministers and working jointly in the UNSC.

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